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Student Debt Continues to Rise:

Higher Education Board Again Examines College Affordability

SACRAMENTO — September 21, 2007 — Members of the California Postsecondary Education Commission will discuss college affordability at two- and four-year campuses, and how debt levels might impact a student's decisions about attending college.

The Commission's goal of improving access to affordable higher education will be discussed at its two-day meeting held September 25–26 in Sacramento. Based on its findings, the Commission report concludes that policymakers should increase General Fund spending for higher education and award higher-dollar grants to students in need.

"Higher education is becoming increasingly unaffordable for many Californians. The State has reduced its commitment to higher education significantly over the last three decades," said CPEC Executive Director Murray J. Haberman. "Students and families have taken on an increased burden to fund the cost of college. We must seriously consider more innovative approaches for helping students and families finance their higher education," Haberman said.

The Commission report notes that the average student debt could be unmanageable for a graduate accepting a job with earnings equal to that of a starting teacher's salary. Thus some students might feel pressured to pursue degree programs that lead to occupations that offer higher compensation, and perhaps not in areas aligned with their interests and abilities.

"Overall, higher education debt for Californians is at or above other states. However, many of California's students and families from low-income, first-generation, and underrepresented racial-ethnic groups are more wary of accumulating debt," said Olivia K. Singh, Chair of the Commission.

Rising fees are affecting households of all income levels. The Commission's findings point to several non-education related factors that render college unaffordable to students and families — rising healthcare costs, greater consumer debt, decreased personal savings, and increased retirement plan payments.

Nontraditional and hard to trace financing is being used more frequently. In addition to federal and state loan programs, many families and students are paying for college with credit cards, home equity lines of credit, and other private lending. College students carry an average credit card balance of $2,864 in their final year of college, and primarily use their credit cards to pay for books, supplies and food.

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The average federal Stafford student loan debt for a University of California graduate is $13,824, and $10,850 for a California State University graduate. This is in addition to the federal Parent Loans for Undergraduate Students (PLUS) program in which parents can secure loans that can average over $12,000 at public institutions and over $23,000 at private colleges. Families also often incur debt via home equity loans, second mortgages, or private loans that can be in the tens of thousands of dollars. A copy of the Commission's report can be viewed at: http://www.cpec.ca.gov/Agendas/Agenda0709/Item_14.pdf.

The full meeting agenda and the Commission's reports for the September 25-26 meeting can be viewed on its website: http://www.cpec.ca.gov/Agendas/agnd0709.asp.

The Commission audio streams its meetings via the Internet: http://www.cpec.ca.gov.

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The California Postsecondary Education Commission advises the Governor and Legislature on higher education policy and fiscal issues. The Commission's primary focus is to ensure that the state's educational resources are used effectively to provide Californians with postsecondary education opportunities.